

Testimony before the Senate Committee on Economic Development

Skilled trades and Michigan's talent gap

September 17th, 2014

The mission of the Detroit Regional Chamber is powering the economy of southeast Michigan. We accomplish this through our four pillars of economic development, regional collaboration, education reform, and providing value to our members. In this respect, we appreciate the opportunity today to discuss what we believe is a vital issue facing Michigan's continued economic recovery: the ability to match our current and emerging workforce with the needs of an evolving state economy.

In order to understand where we need to go, it's imperative to first have a grasp of where we are and how we got here. The need for a "Michigan comeback" is not unique, as states across the country have struggled to respond to the recent economic recession; however, the hurdles facing Michigan's automotive industry, as well as the looming bankruptcy of the City of Detroit, have certainly added to the challenges to overcome.

The good news is that Michigan is back on track. Our GDP is recovering at twice the rate of the national average, as is personal income, and more Michigan residents are back on the job every day. In a recent survey conducted by the Business Leaders for Michigan, 71% of business leaders have optimistic predictions for Michigan's economy in the next 18 months, compared to only 46% nation-wide.

Much of this is owed to the leadership of Governor Rick Snyder and Michigan's legislature. We recognize and appreciate the tough decisions that have been made under the Capitol Dome; the repeal of the Michigan Business Tax and Personal Property Tax, the legislature's role in Detroit's grand bargain, and the investment this state has made in various economic development programs are only a few of the many steps worth noting.

It was difficult to anticipate how different the jobs of 2014 might look compared to those of 2008. As our economy recovers, many residents have found that the job they had before no longer exists and the skills they attained are no longer applicable. At the same time, emerging economies in our state are looking for new and different skills than our workforce has traditionally provided.

Even within the resurging Michigan auto industry we see a different landscape than a decade ago. The assembly line that your father worked on is not the same assembly line you will see today. To succeed, we need to adapt, and we need our political leaders to once again help lead in this effort.

In order to do this, we need to understand where the divide between employer demand and talent supply exists, and then explore how we can create a clear path to a solution. By doing so, we can help our residents find work, attract businesses who rely on a talented work force, and reduce taxpayer costs through less reliance on various state assistance programs.

A quick snapshot of southeast Michigan's economy highlights where we are seeing increased demand for talent, as well as where our workforce is struggling to accommodate.

A recent report by the Workforce Intelligence Network of southeast Michigan focuses on five distinct areas that emphasize this issue: manufacturing (skilled trade and advanced), information technology, health care, and retail. A brief glance paints a very telling picture, and there are a few different aspects of these numbers worth noting, including salary and educational requirements.

In **skilled trades manufacturing**, southeast Michigan¹ companies posted 3,365 openings² in 2014 Q2. The two most desired skills were first line supervisors and computer-controlled machine operators.

Job type	Openings	Mean salary	H.S./less	Ass/S.T.	B.D./more
First line supervisors	767	\$57,500	50%	35%	15%
C.C. machine operators	427	\$37,000	50%	43%	7%

In **advanced manufacturing**, southeast Michigan companies posted 7,254 job openings in 2014 Q2. The two most desired skills were mechanical and electrical engineers.

Job type	Openings	Mean salary	H.S./less	Ass/S.T.	B.D./more
Mechanical engineers	1,483	\$85,000	7%	22%	71%
Electrical engineers	1,252	\$92,000	3%	15%	82%

In **information technology**, southeast Michigan companies posted 11,469 job openings in 2014 Q2. The three most desired skills were software developers, computer systems analysts, and computer user support specialists.

Job type	Openings	Mean salary	H.S./less	Ass/S.T.	B.D./more
Software developers	3,798	\$93,000	3%	15%	82%
Computer systems analysts	1,574	\$83,000	6%	24%	70%
Computer use support specialists	931	\$50,000	13%	42%	45%

In **health care**, southeast Michigan companies posted 11,637 job openings in 2014 Q2. The two most desired skills were registered nurses and nursing assistants.

Job type	Openings	Mean salary	H.S./less	Ass/S.T.	B.D./more
Registered nurses	3,657	\$68,000	0%	44%	55%
Nurse assistants	818	\$25,000	7%	51%	42%

In **retail**, southeast Michigan companies posted 24,460 job openings in 2014 Q2. The four most desired skills were retail salespersons, sales representatives (manufacturing), retail supervisors, and customer service representatives.

Job type	Openings	Mean salary	H.S./less	Assoc.	B.D./more
Retail salespersons	3,251	\$25,500	44%	19%	35%
Sales representative (manufacturing)	2,651	\$64,500	33%	45%	20%
Retail supervisors	2,203	\$41,000	37%	39%	24%
Customer service representatives	2,061	\$33,000	46%	19%	35%

¹ For the sake of this analysis, "southeast Michigan" is comprised of Shiawasee, Genesee, St. Clair, Livingston, Oakland, Macomb, Washtenaw, Wayne, and Monroe Counties.

² When conducting this study, job openings were only recorded if posted online.

Of the 107,000 job postings in 2014 Q2, 54% of them were from one of these five industries. In the past year, 3,500 jobs were added. While employer demand is evident, however, the labor force itself must be ready to accommodate these large-scale increases.

There are about 45,000 postings annually for IT positions. Employment in the IT cluster, however, grew by only 1,007 workers between 2012 and 2013. There are generally about 25,000 postings for engineers and designers each year, but employment in the engineers and designers cluster grew by only 1,471 workers between 2012 and 2013. Health care occupations have very high demand with over 40,000 postings annually. Employment in the health care cluster, however, grew by only 1,107 workers between 2012 and 2013. These are very modest growth numbers despite high employer demand.

When the Workforce Intelligence Network looked in to how businesses responded to the unmet demand, they discovered a few consequences; first, they saw a lot of turnover and retraining; second, employers started looking to find the talent elsewhere, including immigrants, outsourcing, or simply moving to another region with a labor force that could meet their needs; and third, a lot of companies started poaching employees - this is particularly prevalent in the auto industry where OEM's are able to pay significantly higher wages than the supply base.

Knowing all of this, the question we have to ask – and then answer – is how to get from where we are to where we need to be. There are a lot of different ways we can approach this; what we'd like to provide today are a few key points of consideration to emphasize as you continue to deliberate this issue.

The first key point is to double down on the programs we know are working. The MEDC has seen incredible success early on with their new Skilled Trades Training Fund. Using \$8.2 million³ in state funds, 180 Michigan employers provided an additional \$43 million in matching funds to train 11,941 local employees; 1,816 were hired to new jobs, and another 1,357 expected to be created. That's a return on state investment of only \$693 per employee, and only \$2,820 per new hire/job. We strongly encourage the legislature to consider increasing the funding for this program to fulfill unmet demands.

Similar success stories have been found with other recent programs such as the Community Ventures program, which focuses on structurally unemployed residents (largely in core urban areas), as well as the Michigan Advanced Technology Training (MAT2) Program, a three year training program that provides students with on-the-job training and an advanced Associate's degree in a high-tech, in-demand field such as mechatronics. These are programs that many of our member companies, particularly our MICHauto members, are utilizing and have found extremely useful.

The second key point is the need to continue removing industry barriers to these programs, and incentivize collaboration amongst stakeholders and partners in this effort. Allocated funding should be goal-oriented, and not restricted to any particular type of institution; we should reward collaboration, as well as results; and we need to ensure that these programs remain simple and transparent, so that potential partners aren't dissuaded from participating.

³ Using most recent data on hand. Total funding was \$9 million (\$10 million allocated minus \$1 million for MAT2).

The last point is to continually search for fresh perspective and approach. We need to listen to our various stakeholders across the state to understand their specific needs, while maintaining our broader objectives and strategies; we need to get creative about issues such as adult education and incumbent worker training; we need to remove barriers such as child care or transportation; and we need to respect that tomorrow's economy is a lot different than yesterday's.

If we can make these a priority, we will start closing this gap. The focus needs to be on talent, and identifying the skills that our state's economy is going to demand from us. Not all talent is going to necessarily need to be industry based; skills like management, accounting, and sales aren't confined to a single industry, and will help make our workforce increasingly mobile in a continually evolving economy. Other skills such as engineering, programming, and health care will require a more focused approach. We can't approach this problem with a cookie cutter solution; for example, software developers for applications, registered nurses, retail salespersons, and heavy and tractor-trailer truck drivers have rotated among the top four in-demand jobs nearly every quarter since early 2013.

As your Detroit Regional Chamber, we hope to be part of this collaborative solution. Today, we are excited to share with you a new partnership with the Workforce Intelligence Network and several intermediate school districts to provide more direct linkage between K-12 schools, businesses and career/technical training. Our proposal plans to build on the existing Career Cruising platform most schools use to provide basic career information to students.

Leveraging our partners, we also plan to provide real-time labor market information so young people can better understand what careers have the greatest demand. We also plan to recruit businesses and support their engagement in schools so students and educators can get exposure to business and careers as well as the linkages to the education/training needed to enter them.

We continue to expand our MICHauto program, a key economic development initiative of the Detroit Regional Chamber Foundation. The automotive industry is starving for talent. Engineers, CNC operators, software developers, and advanced manufacturing talent are in high demand, and the shortage only stands to progress as an aging workforce retires.

As these discussions continue, we look forward to being a strong partner and advocating on this issue. We appreciate your time, as well as your dedication to Michigan's workforce.

Regards,



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